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Subject: GWSC Update: DOE's FERC Grid Proposal, Solar Tariff Case, Tax Reform
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October
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Colleagues,

Here's a brief update on what's happened in the last two weeks that could have a significant impact on the states' renewable energy industries.

One initiative, filed by Energy Secretary Rick Perry with FERC, would support large traditional power plants — coal and nuclear — in an otherwise fuel neutral regulatory environment.

Another initiative will likely impose tariffs on imported solar panels, a step that would have a significant impact on the states' solar industries.

The last initiative is the Administration's tax reform plan, which could undermine a key source of financing for clean energy. These initiatives are not good news for the states' renewable energy efforts.

Here's a more detailed look at each initiative and possible steps the coalition should consider taking.

DOE Grid Study, FERC's Notice of Proposed Rule, Comment Deadline

Last Friday, Energy Secretary Perry directed the Federal Energy Regulatory Commission (FERC) to change its rules to help coal and nuclear plants compete in wholesale power markets. The request is based on the grid study that the secretary requested shortly after he was confirmed.

The request, which is based on an obscure 30-year-old statute, is designed to promote national security by rewarding plants capable of storing 90 days of fuel on site, which are coal and nuclear plants.

FERC is unlikely to take up the proposal as written, but commissioners currently at the agency have indicated they plan to address plant compensation

and reliability questions.

Trade associations representing the oil, gas, wind, and solar industries, which are united in opposition to the plan, filed a joint motion early this week calling on FERC to reject the Energy Department's request. The same trade associations filed a motion with FERC, requesting a 90-day extension of the comment deadline which is now **October 23**.

Commissioner Chatterjee, who is FERC chair until Kevin McIntyre is confirmed by the Senate, said that he will not take action on the DOE proposal until all FERC commissioners are confirmed by the senate.

The coalition should submit comments on the proposed rule, assuming that FERC approves a comment extension and sets a reasonable time frame within which we can draft comments.

Solar Tariff Case to President Trump

Last Friday, the U.S. International Trade Commission (ITC) decided that the nation's domestic solar panel industry had been harmed by low cost solar imports and will send proposed remedies to President Trump in December. The President can reject, approve, or modify the ITC's recommended remedies. The President's decision is expected sometime in December. And his decision is final.

There's speculation that the President will impose a tariff regardless of the ITC's recommendations. Although the two domestic solar manufacturers convinced the ITC that they had been harmed by low cost imports, their harm pales in comparison to the impact higher priced solar panels will have on the nation's and states' renewable energy industries. It's likely that the World Trade Organization will review any tariff the President approves. However, the uncertainty created by this case has already stalled solar energy development and installations throughout the U.S.

We'll begin drafting the letter to the President expressing the coalition's concerns and asking that he reject the ITC's remedies.

Tax Reform Plan

Wind and solar accounted for more than half of the new capacity added to nation's grids in the past two years, thanks to low natural gas prices and low cost wind and solar facilities, making them an attractive replacement for traditional power plants. State renewable portfolio standards and corporate commitments to renewable energy sources have also boosted development in the states, which are unlikely to change.

- **Corporate Tax Rate**

Lower corporate tax rates, an important part of the tax reform package, would threaten the supply of tax equity — a type of financing that often accounts for half the cost or more of wind and solar projects. In these deals, renewable energy developers sell portions of their projects' tax credits to banks or insurance companies which can apply the credits to their own tax bills. Lower tax rates for businesses would mean they need fewer write-offs. Reducing corporate taxes would threaten a key source of clean-power financing — tax write offs

- **Energy Production and Investment Tax Credits**

The investment and production tax credits have been key growth drivers, and some are concerned that Congress may terminate them to increase revenue to offset a tax cut. The tax credits were extended or revived in 2015, but with timed reductions over the next few years.

The future of the tax credit is unclear, but members of Congress seem to favor letting the credits sunset as promised.

We'll continue to monitor the tax reform process, including the implications of the lower corporate tax rate and the energy production tax credits.

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